

PUBLIC DISCLOSURE

January 27, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Belmont Savings Bank

23901

2 Leonard Street

Belmont, Massachusetts 02478

Division of Banks

1000 Washington Street, 10th Floor

Boston, Massachusetts 02118

Federal Deposit Insurance Corporation

350 Fifth Avenue, Suite 1200

New York, New York 10118

<p>NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

*This document is an evaluation of the CRA performance of **Belmont Savings Bank, (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **January 27, 2014**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.*

INSTITUTION'S CRA RATING:

This institution is rated “Satisfactory” by the Division and the FDIC.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Belmont Savings Bank's overall CRA performance is considered “Satisfactory” based on the following:

Lending Test

This institution is rated “Satisfactory” under the Lending Test.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio since the prior CRA evaluation, dated August 10, 2011, was 102.9 percent. The Bank sells loans to the secondary market, and compared favorably to similarly situated banks.
- An analysis of home mortgage and small business lending revealed that a majority of loans (66.6 percent by number and 64.3 percent by dollar) were made in the Bank's assessment area. During 2012 and first three quarters of 2013 (YTD 2013), 66.3 percent of the number of home mortgage loans, and 73.3 percent of the number of small business loans, were made inside the assessment area.
- Overall, the distribution of residential and small business loans reflects reasonable penetration among individuals of different income levels (including low- and moderate-income), and businesses of different revenue sizes. In 2012, the Bank's performance in lending to low- and moderate-income borrowers (0.9 percent and 5.1 percent) was below the aggregate market performance (2.6 percent and 10.2 percent) and the percentage of borrowers within the same income ranges (19.2 percent and 13.9 percent). The total number of loans made to low- and moderate-income borrowers increased from 2012 to

2013. The Bank's 2012 and 2013 percentage of loans to small business significantly exceeded the percentage of small businesses in the assessment area; however, the performance was tempered by the relatively low volume of loans during the evaluation period.

- The geographic distribution of the Bank's home mortgage and small business loans reflects reasonable dispersion throughout the assessment area, especially in low- and moderate-income geographies, when compared to assessment area demographics and aggregate lending performance. The Bank's 2012 home mortgage lending was below the aggregate in the area's low- and moderate-income geographies, at .9 and 6.5 percent, respectively. However, the YTD 2013 performance significantly exceeded the demographics of the area and reflected an increasing trend in lending within the low- and moderate-income tracts. During the review period, the Bank made no small business loans within the area's low-income geographies and just 3 within the moderate-income geographies.
- There were no CRA-related complaints filed against the Bank during the evaluation period.

Community Development Test

This institution is rated "Satisfactory" under the Community Development Test.

- The Bank made 11 qualified community development loans totaling approximately \$12.0 million during the evaluation period. These loans provided affordable housing and community services to low- and moderate-income individuals.
- The Bank made \$94,150 in qualified charitable donations during the review period. Donations primarily assisted organizations which provide affordable housing and community services targeted to low- and moderate-income individuals. The Bank also maintains a Certificate of Deposit in a minority-owned financial institution, currently valued at \$119,321.
- The Bank provided community development services throughout the evaluation period, including involvement in various economic and community development organizations.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and FDIC. Intermediate Small Bank (ISB) CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (FFIEC), were used to assess Belmont Savings Bank's CRA performance, as the Bank had assets of at least \$300 million as of December 31 of both of the previous two calendar years, and less than \$1.2 billion as of either of the prior two calendar years. These procedures evaluate the Bank's performance based upon a Lending Test and a Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: LTD Analysis; Assessment Area Concentration; Geographic Distribution; Borrower Profile; and Response to CRA Complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments and donations, and community development services since the previous evaluation. Additionally, any prior qualified investments that remain on the Bank's books receive consideration during the current evaluation period.

This evaluation focused on home mortgage and small business lending, as these reflect the primary loan products offered by Belmont Savings Bank. A significantly smaller portion of the loan portfolio consists of consumer loans, and no small farm loans are present on the Bank's September 30, 2013 Report of Condition and Income (Call Report). As a result, these product lines were not considered in the CRA evaluation. Considering the Bank's loan portfolio distribution and volume of lending by loan type during the evaluation period, significantly more weight was given to the Bank's performance in home mortgage lending than small business lending when arriving at overall conclusions.

Information concerning home mortgage lending was derived from the Bank's Loan Application Registers (LARs), reported pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing of 1-4 family and multi-family (five or more units) properties. The period evaluated includes all 2012 data, and YTD 2013. The tables within this evaluation depict 2012 and 2013 home mortgage data. The primary focus of this evaluation is the Bank's lending performance in 2012, as this is the most recent year for which aggregate data is available. Aggregate lending data for 2012 is used within the evaluation, only in comparison to 2012 Bank lending data, and includes lending information from institutions reporting at least one home mortgage loan in the Bank's assessment area. Both years are compared to pertinent area demographics. The Borrower Profile and Geographic Distribution criteria consider only those loans made within the Bank's assessment area.

Belmont Savings Bank elected to collect and report its small business data to the FFIEC. Information concerning small business lending was derived from these sources. For purposes of this evaluation, small business loans include commercial real estate and commercial and industrial loans in amounts of \$1 million or less. The period evaluated includes 2012 and YTD 2013 information. Comparisons to 2012 small business aggregate data are included in this evaluation, as is pertinent business demographics information provided by Dun & Bradstreet for 2012 and 2013.

Demographic information from the 2010 United States (U.S.) Census is used throughout this public evaluation, unless otherwise noted.

Management provided data on community development loans, investments, and services for the period from August 10, 2011 until January 27, 2014.

PERFORMANCE CONTEXT

Description of Institution

Belmont Savings Bank is a full service publicly traded bank incorporated under the laws of the Commonwealth of Massachusetts. The Bank's main office is located at 2 Leonard Street in Belmont, Massachusetts. In addition to its main office in Belmont, the Bank operates five branches in the following towns: Belmont, Watertown, Waltham, Cambridge, and Newton. Since the previous evaluation, the Bank closed one branch in Belmont and opened branches in Waltham (2012), Cambridge (2013), and Newton (2013). The three new branches operate within large grocery store chains. The Bank's main office is located in an upper-income census tract, as is the Newton branch. The remaining branches are located in middle- income census tracts (3) and a moderate-income census tract (Trapelo Road, Belmont). The branches in Belmont offer drive-up ATM services in addition to ATMs located inside the branch. The remaining branches also offer ATM services and are open as late as 7:00pm on weekdays and 4:00pm on Saturdays. There are no branches open on Sundays.

The Bank currently offers a variety of residential, consumer, and commercial credit products. The Bank offers auto loans, business and commercial loans, home equity lines of credit, home improvement loans, online banking services, and residential mortgages. The Bank also offers several services for depositors including 24-hour ATM service, drive-up service, and remote deposit capture for business banking.

As of September 30, 2013, the most recently available Call Report, the Bank had total assets of \$1.02 billion. The Bank held approximately \$803 million as loans, which represented approximately 79 percent of total assets. Using information from the aforementioned Call Report, loans secured by 1-4 family residential properties represented the largest portion of total loans at 61.8 percent. Commercial loans represented 23.8 percent of total loans, followed by consumer loans at 11.8 percent. Since the previous evaluation, the Bank's loan portfolio nearly doubled, growing from \$418 million to almost \$803 million. The distribution of the Bank's loan portfolio is similar to that of the previous evaluation.

Table 1 – Loan Distribution at September 30, 2013		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans
Construction and Land Development, and Other Land	20,825	2.6
Secured by Farmland	0	0.0
Open-End Lines of Credit Secured by 1-4 Family Residential	88,067	10.9
Closed-End Loans Secured by First Liens: 1-4 Family Residential	292,198	36.4
Closed-End Loans Secured by Junior Liens: 1-4 Family Residential	2,276	0.3
Secured by Multi-Family (5 or more) Residential Properties	114,280	14.2
Secured by Nonfarm Nonresidential Properties	187,501	23.4
Total Secured by Real Estate	705,147	87.8
Commercial and Industrial	2,867	0.4
Consumer	94,778	11.8
All Other Loans and Obligations	0	0.0
Total Loans	802,792	100.0

Source: September 30, 2013 Consolidated Report of Condition

There are no apparent financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area.

The Bank was last evaluated for CRA jointly by the Division and the FDIC on August 10, 2011. The Bank was rated "Satisfactory" for CRA performance.

Description of Assessment Area

The CRA requires that a financial institution define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated.

The Bank's assessment area for this public evaluation includes the following 12 neighborhoods, cities and towns: Allston-Brighton (a neighborhood of Boston), Arlington, Belmont, Brookline, Cambridge, Lexington, Needham, Newton, Waltham, Watertown, Wellesley, and Weston. The Bank's assessment area is comprised of 133 contiguous census tracts located in Middlesex, Suffolk and Norfolk Counties in Massachusetts. There are 8 low-income census tracts, 27 moderate-income census tracts, 37 middle-income census tracts, and 61 upper-income tracts.

The Bank expanded its assessment area since the previous evaluation to accommodate the branch acquisitions. During that evaluation period the Bank had 58 census tracts in 6 municipalities consisting of 6 moderate-income tracts and no low-income tracts.

Norfolk and Suffolk Counties are part of the Boston, MA Metropolitan Division (MD) and Middlesex County is part of the Cambridge-Newton-Framingham, MA MD. Middlesex, Suffolk and Norfolk counties are part of the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA)/Core Based Statistical Area (CBSA) #14460.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

To assess the Bank's lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

Table 2- Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	133	6.0	20.3	27.8	45.9
Population by Geography	583,680	5.2	19.6	27.5	47.7
Owner-Occupied Housing by Geography	120,062	1.8	10.8	28.4	59.0
Business by Geography	63,295	5.1	15.5	25.7	53.7
Family Distribution by Income Level	124,018	19.2	13.9	17.1	49.8
Distribution of Low- and Moderate-Income (MFI) Families throughout AA Geographies	41,006	8.7	26.1	31.9	33.3
Median Family Income		\$119,592	Median Housing Value		\$564,811
FFIEC Adjusted Median Family Income for 2012 and 2013		\$101,107			
Families Below Poverty Level		5.4%	Unemployment Rate		3.2%

Sources: 2010 US Census Data and 2012 and 2013 FFIEC-updated MFI

Median Family Income Levels

According to 2010 Census data the assessment area contains 124,018 total families. The breakout by families by income level is as follows: 19.2 percent are low-income, 13.9 percent are moderate-income, 17.1 percent are middle-income, and 49.8 percent are upper-income. Approximately 5.4 percent of families are below the poverty line.

Housing Characteristics

Housing units within the assessment area totaled 244,636, of which 120,062, or 49.1 percent, were owner-occupied, and 108,893, or 44.5 percent, were rental occupied while 15,681, or 6.4 percent, are vacant. Of the owner-occupied units within the assessment area, 1.8 percent are in low-income tracts, 10.8 percent are in moderate-income tracts, 28.4 percent are in middle-income tracts, and 59.0 percent are in upper-income tracts. The high proportion of owner-occupied units in middle- and upper-income tracts may be indicative of limited home mortgage lending opportunities within the low- and moderate-income tracts. The median housing value in the assessment area was \$564,811, which reflects a relatively affluent assessment area and a potential affordability gap for LMI residents.

Housing data from the Warren Group provides further information regarding Massachusetts housing sales during the evaluation period. Within the assessment area, the sales price of homes generally increased from 2012 to 2013, with the average median sales price rising from \$593,169 to \$660,842. The highest median sales price in the assessment area was \$1.16 million in Weston, and the lowest median price was \$318,500 in Brighton. The information provided exhibits that real estate in the area is relatively expensive, compared to the average median sales price of \$298,750 throughout Massachusetts.

Competition

The Bank faces significant competition within the assessment area. In 2012, the most recently available year for aggregate lending information, there were 423 lenders, which include several locally-based institutions, including Watertown Savings Bank, East Cambridge Savings Bank, Cambridge Savings Bank, as well as a number of large national banks, credit unions, and mortgage companies. Overall 45,260 HMDA-reportable loans were originated or purchased within the assessment area. The 2012 aggregate market share reports indicate that Belmont Savings Bank ranked 48th out of all HMDA-reporters throughout its assessment area. For small business loans, Belmont Savings Bank was one of 125 lenders within the assessment area that originated 61,640 small business loans in 2012.

Unemployment Data

In 2012 the Massachusetts unemployment rate of 6.8 percent was below the U.S. rate, at 8.1 percent; while, the unemployment rate for the Bank's assessment area was well below both of these at 3.2 percent. In 2013, the Massachusetts unemployment rate rose slightly to 7.1 percent while the U.S. rate dropped to 7.4 percent. In 2013 the Bank's assessment area the unemployment rate rose to 4.9 percent but remained below both the State and U.S. rates.

Business Demographic Data

There were 63,295 non-farm businesses in the assessment area in 2012. Of these, 71.1 percent had gross annual revenues (GARs) of \$1.0 million or less and 5.5 percent had GARs of more than \$1.0 million. The remaining 23.4 percent of businesses did not report revenue.

Community Contact

Two community contacts were conducted as part of the evaluation process in order to gauge the credit needs and economic environment of the Bank's assessment area. One organization was a housing corporation that develops and manages affordable housing units in one town within the Bank's assessment area. The community contact expressed interest in having more flexible and innovative loan products available for low- and moderate-income borrowers who have trouble with housing expense in a highly affluent area.

The second community contact, also an active player in providing affordable housing solutions in the greater Boston area, echoed the concerns of the first contact, adding that the greatest hurdle to more affordable housing is finding land for prospective projects. This contact stressed that financial institutions have been eager to provide credit for affordable housing construction, but the opportunity for such development is limited.

Both community contacts expressed interest in having local financial institutions provide technical expertise for their respective organizations. This could come in the form of board representation where area banks could use their financial or technical expertise to target future affordable housing developments on behalf of community groups.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated “Satisfactory.” The Bank demonstrated adequate responsiveness to the credit needs of its assessment area. The Lending Test considers the Bank’s home mortgage and small business lending pursuant to the following criteria: LTD Analysis, Assessment Area Concentration, Borrower Profile, Geographic Distribution, and Response to CRA Complaints.

Loan-to-Deposit Analysis

The Bank’s LTD ratio is considered more than reasonable. This performance criterion considers the Bank’s size, financial condition, assessment area credit needs, general economic conditions, and seasonal variations, while determining the percentage of the Bank’s deposit base that is reinvested in the form of loans.

The Bank’s average LTD ratio since the last evaluation was 102.9 percent. During the evaluation period, the LTD ratio fell to a low of 82.6 percent as of September 2011, and achieved a high of 111.2 percent as of December 31, 2011. During the nine quarters, the Bank’s net loans increased 79.2 percent, to \$802.8 million, while deposits increased 35.0 percent, to \$743.5 million. Management indicated that net loan growth expansion is a direct result of the Bank’s efforts to increase its lending footprint. Likewise, deposits have increased as a result of marketing efforts in tandem with the branch expansion, informing new customers of their deposit products.

Table 3 depicts the Bank’s average LTD ratio over the past nine quarters, compared with three similarly situated banks operating within the Bank’s assessment area. The three institutions are similar in terms of asset size and loan portfolio composition.

Table 3 – Loan-to-Deposit Ratio (LTD)				
Bank Name	Total Assets* \$(000)	Net Loans* \$(000)	Total Deposits* \$(000)	Average LTD Ratio
Belmont Savings Bank	1,022,658	795,467	743,347	102.9%
Cambridge Trust Company	1,449,826	884,451	1,259,275	61.0%
Northern Bank & Trust Company	1,031,053	890,809	837,313	107.1%
Watertown Savings Bank	1,098,980	524,808	982,695	55.7%

**Source: September 30, 2013 Call Report*

As shown in Table 3, the three other institutions’ average quarterly net LTD ratios ranged from 55.7 percent to 102.9 percent. At 102.9 percent, the Bank’s average net LTD is the highest in the overall range.

Assessment Area Concentration

Overall, a majority of home mortgage and small business loans were made in the Bank’s assessment area. Using the reported HMDA and small business information, 66.6 percent of the loans were originated inside the assessment area by number, and 64.3 percent of the loans were originated inside the assessment area by dollar volume. More emphasis is placed on the percentage of loans by number since it has a more direct correlation to the number of borrowers served.

Table 4 – Assessment Area Concentration										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(‘000s)	%	\$(‘000s)	%	\$(‘000s)
2012										
Home Purchase	51	55.4	41	44.6	92	54,527	63.4	31,448	36.6	85,975
Refinance	150	72.5	57	27.5	207	88,176	67.7	42,092	32.3	130,268
Home Improvement	13	65.0	7	35.0	20	4,312	59.3	2,956	40.7	7,268
Total	214	67.1	105	32.9	319	147,015	65.8	76,496	34.2	223,511
2013										
Home Purchase	152	70.1	65	29.9	217	34,525	45.9	40,691	54.1	75,216
Refinance	87	59.6	59	40.4	146	84,423	74.5	28,907	25.5	113,330
Home Improvement	8	61.5	5	38.5	13	3,525	57.6	2,594	42.4	6,119
Total	247	65.7	129	34.3	376	122,473	62.9	72,192	37.1	194,665
Total Home Mortgage	461	66.3	234	33.7	695	269,488	64.4	148,688	35.6	418,176
Small Business Loans										
2012	15	88.2	2	11.8	17	3,088	85.5	525	14.5	3,613
2013	7	53.8	6	46.2	13	3,490	45.8	4,129	54.2	7,619
Total Small Business	22	73.3	8	26.7	30	6,578	58.6	4,654	41.4	11,232
Grand Total	483	66.6	242	33.4	725	276,066	64.3	153,342	35.7	429,408

Source: 2012 and YTD 2013 HMDA LARs and CRA Registers

Home Mortgage Lending

As noted in Table 4 the overall percentage of home mortgage loans distributed inside the Bank’s assessment area remained relatively constant between 2012 and YTD 2013. However, the number of loans in each loan category shifted from 2012 to YTD 2013. For example, in 2012, the Bank originated 51 home purchase loans and 150 refinances, while in 2013 there were 152 home purchase loans and 87 refinances. The decrease in refinances correlates with the 2013 increase in interest rates, while the increase in home purchase originations is attributed, in part, to the Bank’s strategy of purchasing pools of loans to bolster the concentration of loans within its assessment area.

In 2012, the Bank was ranked 48th out of 423 lenders that originated or purchased at least one loan in the assessment area.

Small Business Lending

The Bank originated a majority of small business loans inside its assessment area in both 2012 and 2013. In 2012 the Bank originated 88.2 percent of its small business loans within its assessment area; however, this figure dropped to 53.8 percent in 2013. The low number of small business loans tempers the significance of overall performance based on percentages; nevertheless, the Bank granted a majority of small business loans inside its assessment area in the aforementioned time period. In 2012, the Bank was ranked 54th out of 125 lenders. It should be noted that small business market share data is only available at the county level, and is not specific to the designated assessment area.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Lending

Table 5 summarizes the Bank's lending to low- and moderate-income borrowers within the assessment area and compares the Bank's performance to 2012 aggregate data and to the percentage of low- and moderate-income families in the assessment area.

Table 5 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families US Census 2010	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank	
			#	%	#	%
Low	19.2	2.6	2	0.9	87	35.2
Moderate	13.9	10.2	11	5.1	42	17.0
Middle	17.1	20.5	32	15.0	24	9.7
Upper	49.8	54.5	154	72.0	89	36.1
Income NA	0.0	12.2	15	7.0	5	2.0
Total	100.0	100.0	214	100.0	247	100.0

Source: 2010 U.S. Census Data; 2012 and YTD 2013 HMDA LARs; 2012 Peer Mortgage Data

In 2012 the Bank made 2, or 0.9 percent, of its HMDA loans to borrowers designated as low-income. This figure falls below the aggregate level of 2.6 percent to borrowers of the same income range. The Bank's lending to low-income borrowers also falls below the demographic of low-income families, at 19.2 percent. The poverty level and relatively expensive housing within the assessment area are contributing factors to the limited lending opportunities to low-income families, also conveyed by the low percentage of aggregate lending data to the same borrowers. With only 2 loans to low-income borrowers, the Bank ranked 28th in lending to low-income applicants within its assessment area with just a 0.2 percent market share in 2012. While the majority of higher-ranking financial institutions were larger national banks and mortgage companies, there were also multiple state-chartered banks ranking higher than Belmont Savings Bank, despite their smaller asset size.

In 2013, the Bank increased lending to low-income borrowers by number of loans and percentage of total lending. The Bank originated 87 loans, or 35.2 percent, to low-income borrowers. This exceeds the percentage of families in this income level, at 19.2 percent. While the increased performance is a result of the Bank's strategy to purchase loans, the improvement is indicative of the Bank's lending strategy to meet the needs of low-income individuals going forward.

With regard to moderate-income, the Bank originated 11, or 5.1 percent, of its HMDA loans to these borrowers in 2012. This figure is below both the aggregate lending proportion of 10.2 percent, as well as the percentage of moderate-income families in the assessment area, at 13.9 percent. Belmont Savings Bank has experienced difficulty in reaching moderate-income individuals within such an affluent area. The Bank ranked 45th in lending to moderate-income borrowers in the assessment area. In 2013, however, a significant increase was observed in the Bank's performance, and, again, this is a result of the Bank's lending strategy to purchase loans within their assessment area.

Small Business Lending

Table 6 summarizes the Bank's small business lending activity by GAR of the business and compares the Bank's performance to 2012 aggregate data and the percentage of small and large

businesses in 2012 and 2013. Emphasis is placed on loans to small businesses (GARs of \$1 million or less).

As shown in Table 6, the Bank's performance exceeds aggregate lending figures as well as area demographics for both years and demonstrates that, of the total small business loans, the substantial majority were made to the assessment area's smaller businesses; those with GARs of \$1 million or less.

Table 6 – Distribution of Small Business Loans by Gross Annual Revenues (GARs)							
GAR \$(000)	2012 % of Total Businesses	2012 CRA Aggregate Data	2012 Bank		2013 % of Total Businesses	2013 Bank	
			#	%		#	%
≤ \$1,000	70.5	39.8	14	93.3	71.1	7	100.0
> \$1,000	5.2	NA	1	6.7	5.5	0	0.0
Not Reported	24.3	NA	0	0.0	23.4	0	0.0
Total	100.0	100.0	15	100.0	100.0	7	100.0

Source: 2012 and 2013 D&B Business Data; 2012 and YTD 2013 CRA Registers; 2012 Peer Small Business Data

As stated previously, the small number of loans originated by the Bank during the evaluation period tempers the performance.

Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage Lending

Table 7 summarizes the Bank's lending activity within the area's low- and moderate-income census tracts and compares the Bank's performance to 2012 aggregate data and the percentage of owner-occupied housing units within the respective tract category.

Table 7 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner- Occupied Housing Units US Census 2010	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 Bank	
			#	%	#	%
Low	1.8	1.7	2	0.9	26	10.5
Moderate	10.8	10.3	14	6.5	51	20.7
Middle	28.5	26.5	44	20.6	62	25.1
Upper	58.9	61.5	154	72.0	108	43.7
Total	100.0	100.0	214	100.0	247	100.0

Source: 2010 U.S. Census Data; 2012 and YTD 2013 HMDA LARs; 2012 Peer Mortgage Data

In 2012 Belmont Savings Bank originated 2 mortgages, or 0.9 percent, to borrowers residing in low-income census tracts. This figure is below the aggregate lending benchmark of 1.7 percent, as well as the demographic of owner-occupied units in the same areas. However, the low owner-occupancy rate (1.8 percent) suggests limited lending opportunities within this area. Belmont Savings Bank ranked 22nd in its assessment area in lending in low-income census tracts. The majority of those

ranking higher are larger, regional, or national banks, mortgage companies or larger local institutions. The Bank's performance in low-income census tracts increased substantially in 2013. Although aggregate information for 2012 was not yet available, performance compares favorably to the owner-occupied housing demographics of the assessment area.

As shown in Table 7, the Bank's lending within moderate-income tracts in 2012 was below the aggregate and the percentage of owner-occupied units within those tracts. The Bank had difficulty penetrating the moderate-income census tracts in 2012. The Bank ranked 44th and obtained less than a half a percent of the assessment area's market share. Similar to low-income tracts, the Bank made an effort to reach borrowers in moderate-income tracts in 2013 through its strategy of purchasing loans.

Small Business Lending

Table 8 summarizes the Bank's small business lending activity within the area's low- and moderate-income census tracts and compares the Bank's performance to 2012 aggregate data and the percentage total businesses within the respective tract category.

Table 8 – Distribution of Small Business Loans by Census Tract Income Level							
Census Tract Income Level	2012 % of Total Businesses	2012 Aggregate Lending Data (% of #)	2012 Bank		2013 % of Total Businesses	2013 Bank	
			#	%		#	%
Low	4.9	5.2	0	0.0	5.0	0	0.0
Moderate	15.7	14.2	2	13.3	15.5	1	14.3
Middle	25.8	39.4	3	20.0	25.7	4	57.1
Upper	53.6	38.9	10	66.7	53.8	2	28.6
N/A	0.0	2.3	0	0.0	0.0	0	0.0
Total	100.0	100.0	15	100.0	100.0	7	100.0

Source: 2012 and 2013 D&B Business Data; 2012 and YTD 2013 CRA Registers; 2012 Peer Small Business Data

Belmont Savings Bank originated no loans to businesses in low-income census tracts in 2012 or 2013, as noted in Table 8. Aggregate lending data in the assessment area shows that only 5.2 percent of loans were originated in low-income tracts, and only 4.9 percent of total businesses within the assessment area are located in low-income tracts. Further, from 2012 to 2013, the percentage of total businesses within the assessment area's low-income tracts remained steady.

The Bank originated two loans to businesses in moderate-income census tracts in 2012 and, although this decreased to just one loan in 2013, both appear, by percentage, in line with the demographic of businesses within moderate-income areas.

Response to CRA Complaints

Belmont Savings Bank did not receive any CRA-related complaints.

FAIR LENDING AND OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated “Satisfactory.” Belmont Saving Bank’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment area. The Bank met these needs through community development loans, qualified investments and grants, and community development services.

Opportunities for banks to extend community development loans, investments, and services are evidenced through an analysis of demographic information. According to the 2010 U.S. Census, over 33.0 percent of the assessment area’s families are categorized as low- or moderate-income. Community development opportunities were also confirmed through a review of two contacts with community organizations in the assessment area. The primary needs in the communities include more flexible and innovative loan products for low- and moderate-income borrowers and land for affordable housing opportunities.

The Bank is active in many community programs and events and provided community development loans, grants, and educational services within the assessment area.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multi-family loan), and (3) benefits the bank’s assessment area of a broader statewide or regional area that includes the bank’s assessment area.

During this evaluation period, Belmont Savings Bank originated 11 community development loans for a qualified amount of \$11.7 million. Summarized in Table 9 are the community development loans by community development category and year originated.

Table 9 - Community Development Loans								
<i>Community Development Category</i>	Q4 2011		2012		YTD 2013		Total	
	#	\$('000s)	#	\$('000s)	#	\$('000s)	#	\$('000s)
Affordable Housing	0	0	3	2,854	3	3,698	6	6,552
Community Services Targeted to Low- and Moderate-Income	2	848	3	4,312	0	0	5	5,160
Promote Economic Development	0	0	0	0	0	0	0	0
Revitalize/Stabilize Low- and Moderate-Income Areas	0	0	0	0	0	0	0	0
Neighborhood Stabilization Programs	0	0	0	0	0	0	0	0
Total	2	848	6	7,166	3	3,698	11	11,712

Source: Internal bank records

The following is a representative sample of the loans originated by the Bank:

- In 2011, the Bank originated a \$396,000 loan to an organization focused on providing transitional support for individuals with disabilities. The organization receives a majority

of its funds through social security income. The majority of the individuals served are low- and moderate-income.

- In 2012, the Bank extended a \$3 million line of credit to a Waltham organization working with children and adults with developmental disabilities. The organization provides both academic training for students as well as social and functional life skills, including workforce development. The majority of the organization's revenue is derived from social security income. All students qualify for free or reduced-price lunch. The vast majority of the individuals served are low- or moderate-income.
- In 2012, the Bank extended a line of credit totaling \$1 million to a charitable foundation that funds donations and grants to non-profit organizations throughout Middlesex and Suffolk counties, including the Bank's assessment area. The majority of the donations and grants are to CRA-qualified organizations, including food pantries, community development centers, and youth programs focused on individuals in need.
- In 2013, the Bank provided a construction-permanent loan for \$17.6 million to a Cambridge housing project where 6 out of 61 units were set aside as affordable housing. The Bank received pro-rata community development credit for this loan of approximately \$1.7 million.

In addition to the 11 community development loans, one of the Bank's equity investments contributed funds to a Boston-based community loan fund which distributed 50 loans over the past three years. The community loan fund provides loans to non-profit organizations, community development corporations and local developers that build affordable housing and provide social and community services for underserved communities throughout Massachusetts and other eastern states. The Bank's contributed funds accounted for \$81,035 in loans during the fourth quarter of 2011, \$338,039 in 2012, and \$481,504 in 2013. Overall, the Bank's qualified community development loan credit for this investment totals \$900,578 over the evaluation period.

The Bank also issued a \$252,395 letter of credit to a Boston-based economic development organization in support of an affordable housing project. While the specific project is outside of the assessment area, the organization's efforts include all of Boston as well as providing support to surrounding communities and towns for low- and moderate-income individuals.

Qualified Investments

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

Belmont Savings Bank has qualified community development grants and one qualified investment totaling \$213,471. The Bank's investment was a Certificate of Deposit in a minority-owned financial institution obtained in 2010. The current book value of said investment is \$119,321 and represents .01 percent of total assets.

During this evaluation period, the Bank made \$94,150 in qualified grants and donations to the assessment area's low- and moderate- income population, with emphasis on affordable housing, youth, and health and human services. The Bank's CRA-qualified grants accounted for 45.2

percent of total donations. The 2012 donations represent 1.7 percent of the Bank's pre-tax net operating income (NOI), while the 2013 donations represent 1.8 percent of pre-tax NOI.

Table 10 summarizes the Bank's performance, by community development category, for each year.

Table 10 - Community Development Grants								
Community Development Category	Q4 2011		2012		2013		Total	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	1	250	1	3,000	12	25,600	14	28,850
Community Services Targeted to Low- and Moderate-Income	0	0	10	35,300	7	30,000	17	65,300
Promote Economic Development	0	0	0	0	0	0	0	0
Revitalize/Stabilize Low- and Moderate- Income Areas	0	0	0	0	0	0	0	0
Neighborhood Stabilization Programs	0	0	0	0	0	0	0	0
Total	1	250	11	38,300	19	55,600	31	94,150

Source: Internal bank records

The following is a sample of the organizations that received grants:

MetroWest Collaborative Development – This organization's goal is to organize residents, and resources to resolve community problems within the MetroWest neighborhoods, which comprises the majority of the Bank's assessment area. Through affordable housing projects, community advocacy and education, and economic development support, the organization aims to improve the quality of life for all residents, with emphasis on low- and moderate-income.

Money Management International – Money Management International of Southern New England provides credit and mortgage default counseling services to individuals. The majority of the program participants are low- and moderate-income.

Cooperative Elder Services – This organization primarily serves low-income elders in Belmont, Watertown and Waltham. Approximately 75 percent of residents and clients are low-income and depend on federal subsidies.

Waltham YMCA – The Bank made several donations to the Waltham YMCA's annual fund campaign that provides financial assistance for more than 700 low-income children and families to attend YMCA programs that they otherwise could not afford.

Friends of Project Literacy – The organization provides English language learning opportunities for over 120 students. The majority of the students are low- and moderate-income. The students are residents of Watertown, Waltham, Belmont and Newton.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The following information summarizes the Bank's involvement.

Belmont Savings Bank provides community development services in several ways. Officers and employees of the Bank are involved in local community development and non-profit organizations in various capacities. Bank personnel provide leadership and technical expertise by participating on boards and serving in senior management roles at community development organizations.

Bank Employee and Director Involvement

Table 11 summarizes the Bank's community development involvement during the evaluation period.

Table 11 - Community Development Services						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Development Organizations	Economic Development	Revitalize or Stabilize*	Neighborhood Stabilization Projects	
	#	#	#	#	#	
8/10/2011-12/31/2011	1	1	1			3
2012	1	3	1			5
2013	2	4				6
1/1/2014-1/27/2014	1	4				5
Total	5	12	2			19

The following are examples of the Bank's community development involvement in the assessment area:

Belmont Economic Development Advisory Committee – The purpose of the committee is to promote balanced, long-term economic development within Belmont and to advise the Board of Selectmen on issues concerning policies and zoning that foster commercial and small business growth. Members of the committee use their financial expertise in assessing the local needs of businesses of all sizes, with emphasis on small businesses, and promote the development of new and existing businesses as well as employment opportunities throughout the town. The Bank's President was a member on this Board in 2011 and 2012.

Women of Means – The mission of the non-profit organization is to serve the medical needs of homeless women and children throughout the Greater Boston area. Coordinating with Boston area shelters, a team of volunteer doctors and nurses provide basic medical services to those most in need. The majority of the individuals served are low- or moderate-income. One of the Bank's Vice Presidents serves on the advisory Board of Women of Means, primarily in the planning and administration of fundraising and public relations events.

Work, Community, Independence (WCI) – This private, non-profit organization provides home, employment opportunities, and community based activities to people with a range of developmental and intellectual disabilities in the greater Waltham area. The majority of the individuals served are low- or moderate-income. Over 80 percent of WCI's funding is derived from the State's Department of Developmental Services, the Massachusetts Commission for the Blind, and MassHealth. A Bank Senior Vice President serves on the Board of this organization.

Educational Services

WATCH Community Development Corporation (CDC) – WATCH aims to create and promote affordable housing, provide adult education and leadership development, and empower underrepresented residents through civic engagement. The majority of the individuals served are low- or moderate-income. The Bank held two first-time home-buyers seminars at WATCH CDC. The course covers topics including credit and budgeting issues, shopping for a home, and qualifying for a mortgage.

Allston Brighton CDC – The purpose of the CDC is to build a strong and stable community. The organization supports the diverse local communities and families of all incomes. The organization's activities include education, community engagement, and affordable housing. The Bank held a financial literacy class at the Allston/Brighton Resource Center which covered basic banking topics, including savings accounts, checking accounts, and overdraft protection. The majority of the individuals are low- or moderate-income.

Other Services

The Bank is a member of Interest on Lawyers Trust Accounts (IOLTA), an organization that provides legal services to families living in poverty by allowing lawyers to donate money into IOLTA accounts and pooling the interest from those accounts to the Massachusetts Bar Association. The money is used to help families that cannot afford legal services. The Bank administered 56 accounts which earned total interest of \$49,122.

The Bank is a member of the Massachusetts Community & Banking Council's Basic Banking Program. This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

FAIR LENDING REVIEW

Belmont Savings Bank's fair lending controls are evident within its policies and procedures. All staff (including residential and commercial lending) are provided with online fair lending training appropriate to their job descriptions and their responsibilities in fair lending issues. The underwriting and decision making process is centralized. Additionally, all residential, consumer, or commercial loan applications that are slated for denial undergo a secondary review. There are no pricing exceptions, and any exceptions to underwriting are tracked and reported to the Board on a monthly basis. The Bank utilizes third-party fair lending audits for the residential lending portfolio, and generates its own fair lending analysis for indirect automobile lending.

No violations of the substantive provisions of the Equal Credit Opportunity Act or related laws and regulations were identified during the examination.

MINORITY APPLICATION FLOW

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 583,680 individuals, of which 26.2 percent are minorities. The assessment area's minority and ethnic population consists of 4.5 percent Black/African American, 12.5 percent Asian/Pacific Islander, 6.3 percent Hispanic, 2.9 percent Other and 0.1 percent American Indian,.

For 2012 and YTD 2013, the Bank received 503 HMDA-reportable loan applications from within its assessment area. Of these applications, 74, or 14.7 percent were received from minority applicants, of which 72, or 97.3 percent, resulted in originations. For 2012 and 2013 the Bank received 12, or 2.4 percent, of applications from the Hispanic or Latino ethnic group, of which 11, or 91.7 percent, resulted in originations. The Bank approved minority and Hispanic applicants at a higher rate than the aggregate. On an aggregate level, only 72.3 percent of Hispanic applications resulted in origination and 79.8 percent of minority applications resulted in originations in 2012.

The Bank's applications were compared with that of the aggregate's lending performance levels for the most recent year data was available (2012). The comparison of this data assists in delivering reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 12 for information on the Bank's minority application flow for 2012 and 2013, as well as the 2012 aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table 12 - Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	6	2.5	10.4	35	13.1
Black/ African American	1	0.4	0.6	13	4.9
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	9	3.8	2.2	10	3.7
Total Minority	16	6.7	13.4	58	21.7
White	188	79.7	60.5	166	62.2
Race Not Available	32	13.6	26.1	43	16.1
Total	236	100.0	100.0	267	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	1.0	12	4.5
Not Hispanic or Latino	199	84.3	72.1	210	78.7
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.7	0.8	3	1.1
Ethnicity Not Available	33	14.0	26.1	42	15.7
Total	236	100.0	100.0	267	100.0

Source: 2012 and YTD 2013 HMDA Data; 2012 Peer Mortgage Data

The Bank's performance was lower than the aggregate performance level for minority applicants in 2012. The Bank received 6.7 percent of applications from minorities in 2012, compared to the aggregate level of 13.4 percent. The Bank received 1.7 of its applications from joint applicants of which at least one was identified as Hispanic, which compared favorable to the aggregate level of .8 percent. In 2013, the Bank increased its performance with regards to minority applicants (21.7 percent) and Hispanic applicants (5.6 percent).

The Bank's minority application flow, when compared to the aggregate lending performance levels, area demographics, and area competition, is adequate.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Division and FDIC, at 2 Leonard Street, Belmont, Massachusetts 02478."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.